



October 26, 2023

Received LCO
October 30, 2023

Hon. Kelly Regan, MLA
Chair of the Standing Committee of Public Accounts
c/o Legislative Committee Offices
Halifax, NS

Dear Madam Chair:

RE: Standing Committee on Public Accounts

I am writing in reply to the letter dated October 16, 2023, further to the Nova Scotia Liquor Corporation and the Department of Finance and Treasury Board's attendance at the Committee on October 11, 2023. The Committee requested information on the June 2020 Report of the Auditor General: Nova Scotia Liquor Corporation-Phase I and the May 2021 Report of the Auditor General: Nova Scotia Liquor Corporation-Phase II audits. The requested information is attached, please feel free to reach out with any additional questions you may have.

Yours truly,

A handwritten signature in black ink, appearing to read 'Greg Hughes'.

Greg Hughes
CEO, NSLC

A handwritten signature in black ink, appearing to read 'Kelliann Dean'.

Kelliann Dean
Deputy Minister, FTB

c. Kim Langille, Clerk Standing Committee on Public Accounts



The following was requested/offered during the meeting:

1. What is the average build cost for a cannabis store? (See page 5 of transcript)

A: The average build cost for the 49 cannabis stores in operation today was \$296,000. The average includes the cost of the original 12 stores which were much larger in size than the stores that have opened since. Excluding the initial larger format locations, the average cost was approximately \$150,000.

2. What is the average annual cost, including labour, to keep one of these stores open? (See page 5 of transcript)

A: The average incremental cost to run a cannabis location is \$350,000. Since the cannabis locations are in pre-existing stores (except for the stand-alone store on Clyde Street), the NSLC saves significantly on rent and other occupancy costs.

3. Do you keep track of the sales in the Indigenous stores, and is that reported to the government on revenue and sales? (See page 7/8 of transcript)

A: As the NSLC is the only authorized retailer of non-medical cannabis in the Province, there is no reporting or tracking of cannabis sales in stores operating within Indigenous communities.

4. Do you have figures on the average annual number of cases relating to a young person being able to buy alcohol at an NSLC outlet? (see page 15 of transcript)

A: The NSLC takes its social responsibility mandate very seriously and has a robust training program in place as well as a Mystery Shop program to monitor for ID compliance. Since our responsibility is to not sell to minors, we do not track sales to minors. Rather, we track ID challenges and refusals to monitor how many customers have been refused service due to being under 19 or for other reasons. In fiscal year 2023, the NSLC asked for ID 2.2M times and refused more than 19,000 sales transactions.

5. What was the stakeholder engagement in terms of what Nova Scotians' expectations are of local, and what work was involved with that? (see page 17 of transcript)

A: The NSLC conducted extensive customer research to support the development of a new criteria to determine product that should be merchandised as "Proudly Nova Scotian". This included:

- A customer and retail employee survey completed in the fall of 2020
- Industry group engagement sessions in the spring of 2021
- Customer Focus groups by product category in the spring of 2021. Local producers were represented in these focus groups.
- Qualitative survey of NSLC customers in the winter of 2022

Additionally, discussions with individual suppliers and industry stakeholders occurred.

Research and discussions revealed that several factors are considered when assessing what is “Local”, and there are nuances by product category. For example, in the case of wine, the source of the grapes used in production is a key factor and in the case of Spirits, the location of where product is distilled is more important than the source of ingredients.

Though industry stakeholders were engaged, the customer lens was the focus of NSLC research.

6. What programs are out there around harm reduction relating to alcoholism? (See page 24 of transcript)

A: The NSLC has several programs to raise awareness and educate on responsible consumption to help us deliver on our legislated mandate.

- **Cheers to Good Choices:** Our social responsibility marketing platform celebrates the responsible ones in our lives and educates Nova Scotians on the importance of consuming responsibly and getting home safe. It provides relevant and relatable tips to help Nova Scotians plan ahead, know how to be responsible hosts, and understand how to consume our products responsibly.
Note: This program is in evolution, and we will have a new Responsibility marketing program coming out shortly (in time for Holiday).
- **Keep it Social:** Our Keep It Social program is an NSLC funded partnership with post-secondary institutions across Nova Scotia promoting responsible alcohol and cannabis consumption, personal choice, and a culture of moderation. We also have student ambassadors, who receive training from the NSLC, on campuses to be the champions of the program.
- **MADD Canada:** we have a long-standing partnership with MADD Canada dating back more than 25 years. We have been the provincial sponsor of the School Assembly program for the last 16 years. During this time, more than 278,000 students have been educated on the dangers of impaired driving. We also provide funding for other PSA/ social media campaigns for MADD, such as a social media campaign on impaired boating this summer, as well as other initiatives like ATV trail signage.
- **Supporting Safe Rides:** We are investing in safe ride partnerships across the province of Nova Scotia, reinforcing our role as a responsible industry steward and promoting responsible consumption. Through partnerships with Halifax Transit and the Rural Transportation Association, we have supported free rides at events in Halifax, New Glasgow, Pictou, Trenton, Stellarton, Guysborough and Yarmouth. We also provide \$10 off taxi coupons through our Keep it social program at pub nights and sporting events.
- **MYNSLC.com:** Our [Responsible Retailing](#) page on myNSLC.com provides further information on our responsibility focused programs and partnerships, and links to other harm reduction resources.
- **Canada’s New Guidance on Alcohol and Health:** We are currently supporting the Department of Health and Wellness in their efforts to bring awareness to the new guidance on Alcohol and Health. The point-of-sale campaign will leverage the NSLC’s network of retail stores to reach consumers.

A: The province has several programs to reduce harm related to alcoholism.

- Nova Scotia Health has expanded the number of recovery support centres in the province so Nova Scotians can get the care they need closer to home.
- In the last two years, government has increased its investments in mental health and addictions services by \$65 million to support its mandate to deliver universal mental health and addictions care.
- Nova Scotia Health is implementing a new approach to withdrawal management to enhance and stabilize delivery of addictions medicine services and supports.

- Recovery support centres operate Monday - Friday, with some also operating on the weekend. They are staffed by nurse practitioners, nurses, social workers, and peer-support staff – providing a collaborative approach to patient care.
- There have been more than 14,000 visits to our recovery support centres to date.
- There are currently five recovery support centres open: Dartmouth, New Glasgow, Middleton, Lunenburg, and Evanston (Richmond County).
- OAMH currently provides \$1.8. million in core operational funding to five recovery houses in Nova Scotia.
- OAMH is working closely with partners to develop a new model of care that will align with evidence based best practices for addictions recovery, strengthen accountability, and address current gaps along the continuum of care for substance use and addiction.
- Nova Scotia’s first inpatient Addiction Medicine Consult Service launched September 18, 2023, at the Halifax Infirmary site.
- Physicians providing care in the hospital’s inpatient units and emergency department can get advice and support from an addiction medicine specialist for patients with substance use concerns. The service is supported by a multidisciplinary team of addiction medicine physicians, a registered nurse, social worker, administrative assistant and peer support worker.
- OAMH is working with HRM to establish a pilot sobering centre in HRM.
- OAMH provides funding to many organizations that support vulnerable populations, including those experiencing homelessness.

7. How much of the annual revenue growth is driven by local product sales? What’s the expectation for the future? (See page 29 of transcript).

A: We were pleased that in fiscal year 2023, with the exception of spirits, local product sales outperformed the overall product category. Below is a chart of local sales by category for the fiscal year, with the percentage increase over the previous year compared to total category sales:

Category	Local Sales	% Increase	Total Category Sales	% Increase
Beer	\$28.6M	8.3%	\$285.2M	4.1%
Wine	\$16.8M	7.8%	\$164.5M	3.8%
Spirits	\$12.9M	2.3%	\$201.2M	4.0%
Cider & Ready-to-Drink	\$33.0M	9.8%	\$ 98.7M	6.2%
Cannabis	\$33.5M	41.8%	\$111.1M	9.3%

In the first quarter of fiscal year 2024, showed some different trends highlighting that it is difficult to predict future trends. Nova Scotia beer reported strong sales growth at 5.1% compared to the prior year, compared to the overall beer category which reported growth of only 0.2%. NS wine reported a sales decline of 4.9% compared to the overall wine category which declined 2.1%. NS spirits reported a sales decline of 5.1% compared to the overall spirit category which increased 1.4%, and NS Ready-to-Drink sales declined 0.7% compared to the overall category which increased 0.7%. NS Cannabis continued to report strong growth at 19.6% compared to the overall cannabis category which increased 8.7%.

The current inflationary environment and available customer discretionary spending, weather, and changes in customer preferences are all factors which impacted results. The NSLC continues to leverage their retail expertise to showcase local product in their stores and on their website.